

THE
FINANCE MINISTER, THE CURRENCY,
AND
THE PUBLIC DEBT.

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THE FINANCE MINISTER AND THE CURRENCY.

§ 1. “ In all the cities and towns throughout the country checks upon credits in banks and bills of exchange have largely taken the place of bank notes. Not a fiftieth part of the business of the large cities is transacted by the actual use of money, and what is true in regard to the business of the chief cities is measurably true in regard to that of towns and villages throughout the country. Everywhere bank credits and bills of exchange perform the office of currency to a much greater extent than in former years. Except in dealings with the government, for retail trade ; for the payment of labor and taxes, for travelling expenses, the purchase of products ; at first hand, and for the bankers’ reserve, money is hardly a necessity. The increased use of bank checks and bills of exchange counterbalances the increased demand for money resulting from the curtailment of mercantile credits.”—*Report of the Secretary of the Treasury on the State of the Finances for the Year 1867.*

The Secretary here clearly recognizes the existence of two descriptions of currency ; an inferior and a superior one—the former composed of notes which circulate on the faith of moneyed institutions, the latter of checks and drafts based on bank credits, and circulating on the faith of individuals. That this latter, being the superior one, tends to supplant the former, we are here assured ; and that such is the natural tendency of monetary affairs is proved by all experience. The real need for circulating notes exists, therefore, always in the inverse ratio of the use of checks, drafts, clearing houses, and all other of the various contrivances for dispensing with the services of either the precious metals or the circulating note.

Between these two descriptions of currency there are these important differences, to wit :—

That the note represents actual property of the parties by whom it is issued, that property having been deposited in the Treasury as a security for its redemption ; whereas the credit represents property temporarily deposited in the banks, and liable to be claimed at any instant :

That, while the note cannot be so used as in any manner to change its relation to the total currency, the credit may be, and habitually is, so used as to duplicate its relation thereto—A, the actual owner, and B, the temporary user thereof, both exercising equal power of purchase and equal power to create a currency of checks or drafts—that superior one with the growth of which there should be diminished need for circulating notes :

That, as the inferior currency yields no interest to its *holder*, all desire to circumscribe within the narrowest limits the quantity to be kept on hand :

That, as the superior one yields interest to its *makers*, banks and bankers seek as far as possible to increase it by lending out all the moneys placed with them on deposit :

That, as the people at large find their interest promoted by limiting the use of circulating notes the quantity in actual use changes, under ordinary circumstances, so slowly as scarcely to be perceived ; whereas, the quantity of credits, dependent as it is upon the arbitrary will of banks and bankers, changes from hour to hour, and with a rapidity that sets at defiance all calculation :

That, consequently, it is the power to create the superior currency, that based on mere credits, which demands to be regulated by law ; and *not* that inferior one which is based on property, and which finds its proper regulation in the need for its use by the masses of the people.

These things premised, we may now study the course of things under the State bank system, taking as its type the returns of 1860, as follows, the figures representing millions :—

	Capital	Circulation.	Capital and circulation.	Investments.	Excess investm'ts.
Total amount	422	207	629	807	178
New York and New England	235	73	308	443	135
All other States and Territories	187	134	321	364	43

The first thing that strikes us on an examination of this table is the entire harmony of the facts here presented with the theory of the Secretary, and with the general impressions on the subject, the proportion of circulating notes to capital and business having been very small in those States in which a credit currency most abounded, and very large in those in which such credits were least abundant. With a bank capital of but \$235,000,000, New York and New England had the use of \$178,000,000 of credits created by banks for their own use and profit, being nearly two and a half times the amount of their circulation. With a capital only one-fifth less, the remaining people of the Union appear to have enjoyed the advantages of the superior currency to the extent of but \$43,000,000, and their banks to have been dependent upon the profits of circulation to an amount equal to three-fourths of their whole capital, being about twice that of the trading States above enumerated.

The total currency created by banks for their own profit appears to have been as follows :—

New York and New England, with a population of 7,000,000, and a wealth, as returned by the census, of \$3,707,000,000, had credits based upon moneys temporarily in banks to the extent of

..... \$135,000,000

Circulation73000,000

Total.....\$208,000,000

The remaining States, with a population exceeding twenty-four millions, and a wealth of \$11,558,000,000, or more than thrice greater, had a bankcreated currency thus composed, to wit :—

Credits.....\$43,000,000

Circulation.....134,000,000

.....\$177,000,000

In the one case banks might have lived and prospered, even bad they been wholly deprived of the profits of circulation. In the other, outside of a few cities, no bank deprived of those profits could have existed for even a single hour.

Fully enjoying the advantages of both the people of the one could generally have the use of money at about the legal rate of interest. Limited almost entirely to the circulation, and that itself in many cases limited by absurd restrictions, those of the other were accustomed to pay twice, thrice, and even four times that rate. With the one prompt payment was a thing of general occurrence. With the other, debt was almost universal, not because of want of property, but because throughout a large portion of the Country there existed neither credits, circulating notes, nor any medium of exchange whatsoever.

Such having been the state of things seven years since, under the State bank system, we may now examine the working of the, so-styled, national system, with a view to see if it has tended to correction or to exaggeration of the difficulties that then existed.

§ 2. Under the State bank system, as has been shown, the distribution of credits and circulation among the States was very nearly in accordance with the Secretary's present teachings. How far it is so now, under this,

so-called, national one, organized by the Secretary himself, it is proposed here to show.

By the report of the Comptroller, just now published, the following was the state of things in October last, two years having then elapsed since the date of the Secretary's decree issued at Fort Wayne, by which the public were advised that "paper money" was too abundant, that speculation must cease, and that "contraction" must be the order of the day, the figures, as before, representing millions :—

	Banking Capital	Circulation.	Capital and Circulation.	Investments.	Excess Investments.
Total	420	297	717	1103	386
New York and Now England.	260	178	433	677	234
All other States and Territories . . .	160	124	284	326	152

The total circulation had, in seven years, increased 90,000,000, but instead of finding that increase in those parts of the country in which credit least abounded and circulating notes were most needed, we find the whole of it, and even 10,000,000 more, to have been distributed by the then Comptroller, and now Secretary, to those very States in which credits were most abundant and a paper circulation least required.

Comparing now the bank-created currency of the two periods, we obtain the following figures :—

	1860	1867	Increase.
New York and New England, present population 7,000,000			
Credit currency	135	234	
Circulation	73	173	
Total	208	407	199
Other States and Territories, population 30,000,000			
Credits	43	152	
Circulation	134	124	
Total	177	276	99

In the first, population could have but very slightly grown. In the other it had increased to the extent of many millions, and yet, while nearly two

hundred millions had been added to the one, less than one hundred had been secured by the latter. Such has been the working of a system that is styled national, but that is not only sectional as regards the North and the South, but also as regards the Centre and the West as against the North and the East.

In the intervening period the necessities of our people for a general medium of circulation had grown south and west of New York thrice more rapidly than in the country north and east of the Delaware. In many of the older States, poorly supplied before, the check and draft currency had wholly disappeared. Throughout the West new territories had been settled, and new States had been created, in which credit had as yet obtained no foothold whatsoever. Nevertheless, in the vast region south and west of New York, with four-fifths of the total population of the Union and two-thirds of its wealth, the quantity of circulation granted by the financier who has so much complained of the “plethora of paper money” has been, as here is shown, \$10,000,000 less than it had been when Kansas was but beginning to be settled, and when many of the present States and territories had scarcely yet found a place on any map whatsoever.

Circulating notes are least needed where credit currency most abounds. Such is the Secretary’s present text. Cities, then, are the places at which banks least need to avail themselves of the privilege of furnishing circulation. That such was the practice under the State bank system is well known to all. How it is now, under the one organized by the Secretary himself, and how his system compares with that he had found established, is shown by the following figures, representing, as before, millions :—

OCTOBER,
1860.

	Capital	Circulation	Capital and Circulation	Loans.	Excess of Loans.
New York	69	10	79	123	44
Boston	35	7	42	64	22
Philadelphia	12	3	15	27	12
	116	20	136	214	78

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New York	75	35	110	241	131
Boston	42	24	66	101	35
Philadelphia	16	11	27	59	32
	133	70	203	401	198

Of \$90,000,000 addition to the currency in that form of which the Secretary is now so generally accustomed to speak as “ paper money,” no less than \$50,000,000 are here shown to have been given, and given, too, by himself as Comptroller of the Currency, to those three communities in which, by his present showing, circulating notes had been least required ; \$10,000,000 having at the same time been *withdrawn* from the country south and west of New York, embracing States and Territories almost forty in number, with a population numbering little less than 30,000,000, and growing by millions annually, the needs of all for some general medium of circulation being, man for man, thrice greater than those of the people of the cities whose past and present have been above described. The Secretary’s theories, as given in the passage of his report heretofore quoted, are excellent. Can he now explain why it is that his practice has been so different ?

The bank-created currency of those cities at the same periods may thus be stated :—

	1860	1867
Credits based on loans of moneys at the credit of individuals	80	*198
Circulation.	20	70
	100	268

The Secretary denounces speculation, and professes to be earnest in his desire to put it down. Nevertheless, here, *in the very centres of speculation*, three great trading cities, we have, under a system organized by himself, an *increase* of currency amounting to \$168,000,000, or within little more than \$60,000,000 of the *total* quantity that, excluding Philadelphia, is allowed to all the States and Territories, of the Union south and west of New York, with four times the population and with twice the wealth of New York and New England. Not content, even, with this, the great opponent of speculation and of “paper money” has been unwearied in his efforts still further to deplete the centre, the west, and, the south, and to perfect the

centralization already so far established, by compelling all their banks to provide in one alone of them funds for redemption of their circulation, after having already provided for the same by deposits in his own hands at Washington. A better provision for the maintenance and extension of the speculative spirit, so often and so bitterly denounced by himself, could scarcely have been devised.

The 50,000,000 additional circulation thus injected into the great centres do more to cause what it is the fashion of the day to style “inflation” than would be done by 500,000,000 of the one, two, and five dollar notes required “for the retail trade, for travelling expenses, and for the purchase of products at first hands,” those purposes for which money is really, in the Secretary’s view, to be regarded as a “necessity.” By whom, however, were they so injected ? By the Secretary himself, in his capacity of Comptroller of the Currency ! He, therefore, it is, who is to be regarded as the great “inflationist ;” yet does it please him to style as such all those who fail to see that the resumption of specie payments can by any possibility be attained by means of measures tending to total destruction of the societary circulation.

“Capitals,” said Mirabeau, “are necessities, but if the head is allowed to grow too large, the body becomes apoplectic, and wastes away.” That, precisely, is what is here occurring, the whole tendency of the Secretary’s system being in the direction of causing accumulation of blood in and about the societary heart, to the utter destruction of circulation throughout the body and the limbs. Hence it is that property in New York city has attained such enormous prices, and that we are now daily called upon to read of the “unparalleled advance” that, according to the *Tribune*, has taken place in the adjoining States, New Jersey and Connecticut. Passing outward, however, into Pennsylvania, we find a totally different state of things, miners and farmers being thrown altogether idle, and the depression there being quite as little to be “paralleled” as is the advance in the States so liberally patronized by our consistent Finance Minister.

To find his system working in full perfection we need, however, to look further south—to Georgia, Carolina, and Alabama. Doing this, we find the same *Tribune*, the especial advocate of his most unphilosophical and most exhaustive system, speaking to its readers in the words that follow :—

“ A correspondent, writing from Hinesville, Liberty County, Georgia, says : ‘ A sale has taken place at this county seat that so well marks the extreme depression in the money market that I send you the particulars : Colonel Quarterman, of this county, deceased, and his executor, Judge Featter, was compelled to close the estate. The property was advertised, as required by law, and on last court day it was sold. A handsome residence at Walthourville, with ten acres attached, out-houses, and all the necessary appendages of a first-class planter’s residence, was sold for \$60. The purchaser was the agent of the Freedmen’s Bureau. His plantation, four hundred and fifty acres of prime land, brought \$150 ; sold to a Mr. Fraser. Sixty-six acres of other land, near Walthourville, brought three dollars ; purchaser Mr. W.D. Bacon. These were all *bona fide* sales. It was court day, and a large concourse of people were present. The most of them were large property owners, but really had not five dollars in their pockets, and in consequence would not bid, as the sales were for cash.’ In Montgomery, Alabama, lots on Market Street, near the Capitol, well located, 50 feet by 110 feet, averaged about \$250 each. The Welsh residence on Perry Street, two-story dwelling-houses, including four lots, sold for \$3500 ; Dr. Robert M. Williams was the purchaser. The same property in better times would not have brought less than \$10,000. The Loftin Place, near Montgomery, containing 1000 acres, was recently rented at auction for forty cents an acre. The same lands rented the present year for three dollars an acre. About thirty real estate transfers were recorded in Nashville last week ; prices were low. In Portsmouth, Virginia, a house and lot, formerly of the Reed estate, situated on the south side of County Street, near the intersection with Washington, was recently sold to Mr. Ames for \$750. A building lot at the intersection of South and Bart Streets, brought only \$125. A portion of Woodland, the late Judge John Webb

Tyler's estate in Prince William County, Virginia, has been purchased by Mr. Delaware Davis, of New Jersey, at \$20 an acre."

The more the blood is driven to the heart the more do the limbs become enfeebled, and thus greater becomes the liability to paralysis, to be followed by death. The Secretary has been, and still is, driving all the blood of the Union into the States and cities of the north and east, and with every step in that direction the circulation becomes more and more torpid and the paralysis more complete.

§ 3. Of the agricultural departments of France a very large proportion are steadily declining in population, the main reason therefor, as given in a highly interesting paper recently published,² being to be found in "a total absence of that power to supply themselves with circulating notes which elsewhere results from the presence of banks or other establishments of credit, or that of individuals whose signatures to such notes command the public confidence."

Agriculture, for this reason, fails in those districts to obtain the aid of capital, except on conditions so onerous as to be ruinous to the borrower. Just so has it always been throughout more than half the Union ; the farmers of the Mississippi Valley, and the planters of the South and Southwest having been compelled to pay for the use of circulating notes twice, thrice, and often even five times the rate of interest paid by their brother agriculturists of New England and New York.

So did it continue to be until the needs of war compelled the Treasury to do that which it should long before have done, furnish a national machinery of circulation, by means of which the farmer might be enabled to buy and sell for cash, and to pay in cash his mason and his carpenter ; thereby, and for the first time in our history, enabling these latter in their turn to acquire that feeling of real independence which results from exercise, of power to choose among contending

shopkeepers that one which would most cheaply supply the cloth, the coffee, or the sugar required by their families and themselves. At once the whole position of affairs was changed ; the needy farmer and laborer, begging for credit, disappearing from the stage, and the anxious trader, begging for their custom, taking their place. It was a revolution more prompt, more complete, and more beneficial than any other recorded in financial history ; its direct effect having been that of supplying the inferior, the most useful, and the least dangerous currency to those portions of the country which, while abounding in labor and in natural wealth, were as yet too poor to command the services of that superior one by which, in the course of time and in accordance with the Secretary's present teachings, it was to be replaced.

Of all the machinery of commerce there is none which renders so large an amount of service as that which facilitates exchanges from hand to hand. The more it abounds the more rapid is the circulation, and, as in the physical body, the greater are the health, the strength, and the force. It is, however, the one that is always last obtained, and most difficult to be retained. In furnishing it gratuitously to the centre, south, and west, the Treasury rendered a larger amount of service to our whole people than it would have done had it given the gratuitous use of railroads whose *cost* would have been twice as great as its own *amount*. That service was found in the increased demand for labor, to the great advantage of those who had it, in its various forms, for sale—the farmers, mechanics, and laborers of the Union. To some extent, however, it damaged those who made no profitable use of their own physical or mental faculties—annuitants, mortgagees, and other persons in the receipt of fixed incomes.

That, however, is the necessary result of beneficial changes of every kind, all such improvements manifesting themselves in an elevation of the labor of the present at the cost of accumulations of the past—the rate of interest always falling as labor becomes more productive. Instead, however, of so regarding it, those who suffered have, of course, insisted that it had been nothing but “a forced loan;” that, for that reason, it

should, at the earliest possible moment, be repaid ; and that the whole people should, for their benefit, be deprived of all the vast advantage which, under pressure of the war, had been so promptly gained. By whom, however, had the loan been made ? Had it not been by the whole body of the people ? Assuredly it had, and that same body had been the recipient of its products.

It had been simply the one great corporation of the Union combining with its members for obtaining, free of charge, the use of machinery of inestimable value, in default of which the societary circulation had previously been so much and so frequently arrested as to cause waste of labor to an annual amount twice greater than the circulation that had thus been furnished. It was that corporation combining with its members for their relief from the oppressive taxation of usurious capitalists, money-lenders on the one hand, and traders on the other. Of those who made the loan none complain. None suffer ; there being not even a single one who cannot, on the instant, be reimbursed, obtaining from his neighbor property of value fully equal to that which he had given for his share of this, so-called “loan.” What they do complain of is that, while willing to extend their loans, and to do so without charge of interest therefor, they are not permitted so to do ; and here they complain with reason.

The Secretary insists, however, that this is only “paper money,” of which there exists, in his opinion, so great a “plethora,” that, at any sacrifice, this loan must be repaid. Seeking this “plethora,” we look to the South, and find plantations being almost given away, because of the almost entire absence of currency of any description whatsoever. Turning next to the Mississippi Valley we find currency so scarce that manufacturers and traders pay for its use twice and thrice the usual rate of interest ; farmers, meanwhile, finding difficulty in obtaining it on any terms whatsoever.

Coming now to the centre, we find it to be so little superabundant as to compel the employment of bank certificates—a sort of bastard “paper money” that otherwise would not be used. Passing thence to the North

and East, the centre of speculation, and therefore, perhaps, in both the past and the present, so largely favored by a finance minister who professes himself opposed to “speculation,” we find an abundance, and perhaps even the “plethora” of which he has so much and so frequently complained. Taking, however, the whole Union, we find that of this terrible “paper money” the quantity in actual circulation cannot be estimated at more than five hundred millions of dollars, or little more than a dozen dollars per head. With less than half the need of it per head, France has a circulation of thirty dollars for each individual of her population ; and yet, with even this large supply, her agricultural districts are even now actually perishing for want of some representative of money to be employed in the effectuation of exchanges. Of all the countries of Europe there is none in which there exists in such complete abundance that superior currency which, as the Secretary assures us, and as we know to be the fact, tends to supplant the circulating note, as is the case in Britain. Yet even there do we find the circulating medium, per head, to be twice as great in quantity as among ourselves. Nevertheless, with these facts before him, and in direct opposition to his own most recent teachings, the Secretary assures us that it is to the excess of “paper money” we are to look when desiring to find the “obstacle” which stands in the way of “a return to a stable currency !”

Scotland, as stated in the article above referred to, has for each 5000 of her population a place at which money operations may be transacted. Nevertheless, there is no country of Europe in which circulating notes are so generally used. This, according to the Secretary, should make of it a good place to sell in and a bad one in which to buy ; there yet is none in Europe better in which both to sell and to buy.

Jersey, one of the little Channel islands, with a population of 55,000 gathered together in a space less than half that embraced within our city limits, has no less than seventy-three places at which monetary affairs may be transacted ; and yet, with all this vast machinery for supplying the superior currency, her people use of notes, none of which are of less than \$5 value, more than \$400,000, or almost \$8 per head. Add to this

the gold and silver that must necessarily be used, and we obtain a larger proportion than is now in use by a people of little less than 40,000,000, scattered over half a continent, among by far the larger portion of whom there exist none of those appliances by means of which, in more advanced communities, the use of money, whether the precious metals or the circulating note, is so much economized. Excluding New York and New England, and allowing for the general absence here of those means, the circulation of Jersey is *ten times* greater per head than that of nearly forty of our States and Territories ; and yet, not only does this little island enjoy the highest degree of prosperity, but there is not a spot in Europe in which excess of currency stands less in the way of both buying and selling with advantage. The facts and the Secretary's theory do not, therefore, harmonize with each other. So much the worse, he will probably reply, for the unfortunate facts.

It is, however, as he says, an irredeemable currency, and therefore an "obstacle" to resumption. The first of these assertions is true, and here we are happy once again to agree with the honorable Secretary. Whether or not it really constitutes *the* obstacle, and whether or not the Secretary's movements tend to remove that which is certainly the real one, we may now inquire.

§ 4. By the present banking law it is required that before any association of capitalists, large or small, shall commence supplying their neighbors with machinery by means of which they may be enabled readily to make their various exchanges, they shall lend to the government an amount one-ninth greater than that of the circulating notes with which they desire to be supplied ; and that the bonds they are thus required to buy shall be placed in the Treasury, to be there held as security for payment of the notes.

That done, and the notes received, it is then required that with these latter they shall purchase a certain proportion of Treasury notes payable on demand, to be held by them as further security for the payment on

presentation of any portion of their own circulation. Further, in the event of failure of payment, their stockholders are made to a certain extent individually liable for any ultimate deficiency of assets, whether as regards the holders of notes, or the owners of credits on the books.

Having thus defined the terms on which the several portions of the country might be enabled to furnish their various neighborhoods with machinery of circulation, and having provided such restrictions as rendered it most difficult so to do except in rich and populous districts, it might have been supposed that then it would have been everywhere left to the people themselves to decide whether they would, or would not, have among themselves institutions of credit empowered to supply them with circulatory notes. Not so, however, the law providing that whensoever such circulation shall have been anywhere issued to the extent of \$300,000,000, all power for further issue shall cease, and thus establishing a monopoly in the hands of those who first had taken possession of the little that had been granted.

Compliance with these conditions was easy in those communities within which credit institutions already largely abounded, and in which, by the Secretary's own showing, circulating notes least were needed, to wit, New York and New England. Most difficult, however, must it prove in all of those in which such notes most were needed, to wit, the centre, the west and the south, those in which the superior currency of checks and drafts least existed. Most of all was it easy in those large cities in which, as shown by the Secretary himself, "not a fiftieth part of the business is transacted by the actual use of money;" and in which, as he further says, "except in dealings with the government, for the retail trade, for the payment of labor and taxes, for travelling expenses, the purchase of products at first hands, and for the banker's reserve, money is hardly a necessity." Of all this the Secretary must have been then perfectly aware, and so having been, it became his duty, in his then capacity of Comptroller of the Currency, so to act as to secure to the States and Territories least provided with the superior currency the largest possible share of the limited quantity of the inferior one that has been thus

allowed. Directly the reverse of this, however, we find him to have added \$100,000,000, to the previously existing circulation of those States in which credits most existed, and \$50,000,000 to that of the three cities in which circulating notes were least of all required ; while actually diminishing by \$10,000,000 the allowance to the whole country south and west of New England and New York. Had it been his especial desire to produce the inflation of which he has since so much complained, he could have chosen no better mode of operation.

By this course of action there was established a monopoly of money power without a parallel in the world ; that monopoly, too, created by the Secretary himself in those very centres of speculation in which each additional million does more to produce “inflation” than could or would be done by any ten millions scattered throughout the pockets of the farmers and laborers of the east, the west, the south, or the southwest.

The counterbalance to this monopoly was found in the existence of a machinery of circulation that had been created by the people themselves for the purpose of enabling each and all of them readily to exchange their services and products. The one tended towards enabling capitalists of the cities to compel the interior more and more to depend on them for performance of all their exchanges, and thus to give them more complete control over the farmer and the laborer. The other, on the contrary, tended towards enabling farmers and laborers to exchange among themselves, freed from the control of city capitalists ; and for that reason, perhaps, it has been that our Finance Minister has been so unwearied in his efforts to drive it from the stage.

For the accomplishment of that object he and his particular friends have done their utmost towards destroying the confidence of our people in each other, and in the country’s future. From day to day has “contraction” been insisted on, accompanied by the assurance that prices must be made to fall ; that property of any description whatsoever bought to-day might be valueless to-morrow ; that mines opened, furnaces or houses built, this year, must prove in the next to be worth far

less than they had cost. Raids have been made upon banks. Interest-bearing securities have been withdrawn from them for the express purpose of compelling them to heap up greenbacks in their vaults. Factories and furnaces have been closed that might and would have consumed hundreds of thousands of tons of coal and bales of cotton. Mines have been abandoned, and manufacturers have been ruined. Paralysis has been brought about through the whole extent of the Union, and all these things have been done to the ends that the people might be deprived of a circulating medium created by themselves and for themselves ; that the monopoly of the extreme, North and East might be perfected ; and that the “speculator” might in this manner be driven from existence. To what extent these latter have been attained, we may now inquire.

From the report of the Comptroller just now issued we learn that on the first of January, 1867, the loans on private security by the banks of New England and New York were \$404,000,000, and that nine months later not only had there been *no contraction*, but there had been an actual *increase* of their amount.

At the first of these dates they held \$297,000,000 of interest-bearing public securities. At the last, their amount had fallen \$14,000,000, the whole effect of a nine months’ vindictive warfare having been that of compelling them to disgorge *public* securities yielding them an annual interest of probably \$800,000. Placing against this the higher interest, that lenders had, by means of the Secretary’s aggressive policy, been enabled to secure, the balance in favor of the banks would probably count by millions, for all of which they had been indebted to the policy announced in the celebrated but unfortunate Fort Wayne decree. The policy that carried us through the war favored those who had labor to sell and money to borrow. That of the Secretary favors those who have money to lend and labor to buy ; and hence it is that the societary circulation becomes daily more and more impeded, and that the Treasury daily loses power.

Throughout the North and East there was certainly a plethora of currency needing to be corrected. Has the Secretary, with all his efforts, succeeded in making this correction ? On the contrary, he has not only proved himself utterly powerless in that direction, but has, by largely withdrawing that machinery on which, almost alone, were dependent the people of more than half the Union, made the centres of speculation relatively far more powerful than they had ever been before. To what extent this course of action has tended towards facilitating resumption may be now examined.

§ 5. The Secretary's policy of "contraction," as has been shown, has been fully operative in all those portions of the Union that did *not* enjoy the benefits of that superior currency of checks and drafts which, as he informs us, have so largely "taken the place of bank-notes," and that, for that reason, most needed such notes, the national circulation having been reduced more than \$70,000,000, without provision of local currency to take its place. It has been wholly inoperative in all those centres of speculation in which "not a fiftieth part of the business is transacted by the actual use of money," the "plethora" still existing just where the Secretary had himself created it, monetary starvation being, meanwhile, the lot of two-thirds of the whole population of the Union, and their position, relatively to the highly speculative North and East, undergoing daily deterioration. In this state of things it is that the Secretary has graciously announced his determination to postpone resumption for another year, giving to banks and bankers to July, 1869, for preparing to "face the music." More simple, and more in accordance with what, as we think, he must have known to be his real position, would it have been had he at once announced a postponement to the Greek *kalends*, a day whose arrival was never to be apprehended. That under the present system it never *can*, by any possibility, arrive, will be clear to all who shall take the trouble to study the existing relation of banks and people, banks and State, as it will be now exhibited.

Their debts to banks and bankers, a very considerable proportion of which was from city to country banks, and bearing interest, were	112,000,000
Circulation	300,000,000
	\$ 950,000,000
On the same day they held of legal-tender notes, of various descriptions. . . .	\$ 157,000,000

Let us now suppose that notice had then been given them to be prepared on the first of January to face their creditors and meet their obligations. Such preparation would, of course, have involved the calling in of hundreds of millions of loans, attended with bankruptcy of thousands if not even tens of thousands of miners, manufacturers, traders, “speculators,” and others interested in the general business of the country, to be followed by a general failure of institutions whose stockholders were all, to a greater or less extent, liable for payment of their debts. Would the banks have done this ? Assuredly not, if any other course were open to them. Would there then have been any other ? Most assuredly there would. They might then have chosen between bankrupting the Treasury with large profit to themselves therefrom, or becoming themselves bankrupt with still greater loss ; the one course simple and readily pursued, the other difficult and trying to the consciences of all who might, even for a moment, think of its adoption.

On the day thus supposed to have been appointed, the first of January, the Treasury was owner of \$88,000,000 of gold. On that day the banks held probably the same amount as in October of Treasury obligations redeemable in gold—to wit, \$156,000,000. By presenting little more than half of these for payment, they would at once empty the Treasury vaults, while still retaining nearly \$70,000,000, every dollar of which would be from that moment receivable at the custom-houses, though not necessarily receivable by the claimants of interest on the public bonds. From that hour the Treasury would be bankrupt, as interest could be no longer paid. Is it, then, the banks that need to be protected against the State, or the State that needs, by continuing the suspension, to be protected against the banks ? Assuredly it is this latter.

Would, however, the banks so have acted ? Most certainly they would. They held then, as they now hold, in their own hands the means

of protection against a policy that is both insane and vicious ; and had they failed to use it, they would have fully earned the censure of their fellow-citizens and of the world at large.

The debts due to depositors by the banks of New England and New York, and those of the three chief Atlantic cities, exceed \$500,000,000. Add to this their circulation, and we obtain an amount little short of \$700,000,000, to meet which they hold somewhat more than \$100,000,000 of Treasury obligations payable on demand, a quantity very insufficient for meeting their creditors, but quite sufficient for enabling them to hold the Treasury itself in check. There is thus at the heart of the system, and centre of the “speculation” so much denounced by the honorable Secretary, a force that can at the shortest notice be brought to bear upon him, and against which he would find himself as utterly powerless as did Canute when he undertook to check the rising of the tide. In establishing the great money monopoly of the East and North, the Secretary did but create a monster, a sort of monetary Frankenstein, armed with power to control himself, the author of its unfortunate existence.

That the Secretary knows and feels all this is proved by his extreme anxiety to be authorized to go abroad to beg for loans, and to dress up his securities in a manner calculated to please the fancies of the little capitalists of France and Germany, Switzerland and Holland. His fellow citizens are anxious to lend him all he, needs, and wholly free of interest. Rejecting all such aid he, placed in the direction of a community possessing greater mental and mineral resources than any other, seeks to be allowed to peddle his wares in all the towns and villages of Europe, and thus to present in fullest relief the miserable state of weakness to which, by means of a policy the most narrow and unstatesmanlike, our people and our government have been reduced.

Closing his eyes to the fact that throughout the whole of his ministerial life we have been exporting bonds by *tons weight*,³ the Secretary now urges that he be permitted to create new bonds, to be exchanged for gold

by means of which to effect resumption. Simultaneously with this we have an estimate of customs revenue for the realization of which we must, allowing for frauds of various kinds, import more than \$400,000,000 of foreign merchandise. Add to this freights, interest, and expenses of our people resident or travelling abroad, and we obtain a gold demand for Europe of fully \$550,000,000 ; or more than twice the amount of all the tobacco, oil, cotton, and other products we have for export. In our relations with foreign countries there is an annual deficit of hundreds of millions to be paid in gold or bonds, and it is in the face of this great fact that the Secretary proposes to go abroad to purchase the gold by means of which he is to be armed with power for controlling a great monopoly, which but for himself would never have had existence. With every step in this direction he is still further weakening both the people and the State, and making new preparation for our arrival at that goal toward which, from the hour of his taking the direction of our finances, we have been tending—that of bankruptcy of the Treasury and final repudiation of the national debt.

Had the Secretary studied our financial history, he would have seen that whenever the societary circulation had, as in the protective periods ending in 1835 and 1847, been rapid, the *many* who had had need to labor and to borrow had been strong for their contest with the *few* who had need to purchase labor and had money to lend ; and, that then, and *then only*, had the nation been strong for the assertion of its proper place among the Powers of the world.

It was the *many* who made the recent war. It was they, and not the *few*, who gave the government power for suppressing the rebellion. Almost from the hour, however, of the appointment of our present Finance Minister the alliance between the many and the Treasury ceased to exist, and hence the present weakness of the State. From that hour there has been an incessant effort at strengthening the *few* for their contest with the many, and hence it is that such large fortunes have been accumulated by those connected with Treasury operations, the whole people meanwhile suffering under a necessity for paying greatly increased rates

of interest, and banks and bankers building palaces while laborers and their families perish because mines and mills stand closed ; their owners having been almost, even when not altogether, ruined.

The road in which the Secretary demands that we now travel finds its termination in repudiation. That such is the case is proved by all the recent movements. If, then, the holders of our bonds desire that the national honor be maintained, let them insist upon such a change of policy as shall tend towards early restoration of the societary circulation.

§ 6. The societary circulation becomes more rapid, men become more prosperous and more free, and the State grows in wealth, strength, and power, as the circulating note, readily exchangeable for coin, takes more and more place of the coin itself. Still more rapid is the growth of all, as that higher currency of credits, upon which are based the checks, the drafts, the clearing-houses, and other machinery for economizing the use of money, tends to supplant both the metals and the note ; every movement in that direction as much indicating progress as does the substitution of the wagon for the pack-horse ; the locomotive, in its turn, supplanting both horse and wagon. For speed and economy the highest form of currency almost emulates the electric telegraph, the circulating note finding its correspondent in the postman of modern days, and the precious metals in the messenger of olden times, when the public postman had as yet scarcely made his appearance on the stage.

Electricity and steam need the curb. So does the highest form of currency. The wagon horse needs the spur. So does that description of currency which takes the form of circulating notes. Crises, public and private, come when the former is left wholly uncontrolled. Stagnation and weakness follow in the train of measures preventing development in direction of the latter. That such is the case is proved by every page of our financial history, yet do our legislative records present a constant series of efforts for prohibiting the use of the note and thus compelling use of the metals, a course of proceeding just as philosophical as would

be one that should look to forbidding wagons lest they might lessen the demand for pack horses. Time and again has it been proposed that our people should be prevented from giving or taking any note of less denomination than \$10 or \$20. As often have they been forbidden to avail themselves of the services of any that should be less than \$5 ; and yet, despite of all opposition, the note has held its ground and grown in public favor. Not only so, but it must continue so to do, despite the recent declaration of our honorable Secretary that to all systems under which "circulating notes are issued" he finds such "grave objections," that "if there were none in existence in the United States he would hesitate to recommend or to indorse the most perfect that had ever been designed."

Greatly admiring the *credit* which so supplants both the note and the metals that the use of either almost ceases to be "a necessity," he thus strongly opposes the note which constitutes the intermediate step between the metals and the credits. Unable to recommend the dangerous wagon, he greatly admires the safety and celerity of the locomotive and its train. Common sense, however, teaches that as the wagon is useful as preparation for the engine, so the note is needed as preparation for the credit, and that both are evidences of advancing civilization.

Beyond the Atlantic there is no country that has so much as Scotland tended towards substitution of the readily-transferable note for the slow-moving metals, yet is there none that less has suffered from financial crises of her own creation. Directly the reverse of this, we find in England a constant series of regulations as to who might, or might not, issue notes, and as to the minimum value of such as might be issued, the whole at last culminating in an absurd and preposterous system that has, in its little more than twenty years of existence, given to the world no less than three financial crises, each more severe than that by which it had been preceded ; and the last so greatly so that recovery therefrom has scarcely as yet commenced. By that law it was provided that the curb should be used where the spur had most been needed, leaving at the mercy of banks and bankers that higher currency, created for their own

especial use and profit, in relation to which control was really required, while checking and controlling that inferior one with the use of which all seek to dispense as far as is consistent with the convenient effectuation of their exchanges. Such having been its necessary tendencies, the extraordinary expansions and contractions that have attended its brief existence offer no cause for wonder.

At home, in the New England States, there was presented for examination a banking system directly the reverse of that of England, the most free, the most natural, and therefore the most stable and useful, of any the world had ever known. Nowhere had currency been so cheaply furnished. In none had redemption been so uniform. Instead, however, of studying it, the originators of our present system studied carefully that of England, finally adopting it, with the addition of new and burdensome restrictions in reference to that inferior currency which most was needed, and leaving, as in England, wholly unchecked that superior one to which we had in all the past been indebted for every financial crisis with which the country had been afflicted.

Bad as was this law itself the danger that it threatened was intensified by the organization under it that followed, the then Comptroller of the Currency, and now Secretary, having applied the spur in all those portions of the country in which the curb had theretofore been needed, while reserving this latter for those of them in which institutions of credit least existed, and in which their careful nurture was most required. Hence the situation in which he now finds himself, face to face with a great monopoly whose power increases with each and every of his efforts at its limitation.

Desiring now to reach resumption we must wholly change our system, ceasing to use the spur in that only portion of the country in which the curb is needed, the north and east, and declining to apply this latter in the centre, the south and the west ; in all of which the prosperity of the people and strength of the State would greatly be promoted by increased facilities of exchange.

Circulation demand's to be re-established throughout the Union, and to that end we need to calm down the excitement which exists in close neighborhood of the heart ; at the same time adopting measures tending to stimulate the body and the limbs that are now so nearly torpid. That such measures may be adopted it is needed that our legislators begin to appreciate the folly of a system that leaves to banks, bankers, and "speculators" the entire and absolute control of that superior currency whose power for good or evil so closely resembles that of electricity, while refusing to permit the miner and the laborer, the mechanic and the farmer to determine for themselves how much of the inferior one they will carry in their pockets.

The road by which we now travel is, to the people at large, a painful one, and one by which resumption never can be reached. That by which we should travel, though somewhat long, would be travelled joyfully by all but those who are now financially and politically so largely profiting by the general distress. The Treasury forces have been long arrayed on the side of these latter, and hence the weakness of the people and the State. It is for Congress now to see that this no longer be the case.

* This is probably much less than the truth, there being checks and "cash items" that to some extent must have borne interest. Opposed to them there are surplus funds which are additions to capital. The one would probably balance the other.

2 Journal des Economistes, September, 1867.

3 One of the agents charged with care of the foreign mails has stated recently, to one of our diplomatic representatives in Europe, that *each and every trip* throughout the last two years he had carried registered letters containing bonds the weight of which varied between 60 and 300 pounds. This is for but one of the several weekly lines of steamers, and to estimate the total quantity at but 150 pounds per week, would give *a ton weight per quarter*. It is in the face of this that it is now gravely proposed to create a new loan specially for Europe.

§ 1. The Secretary's theory in reference to the currency, as has been shown, is in direct conflict with his practice ; the former most earnestly teaching that the need for circulating notes everywhere exists in the *inverse* ratio of the use of checks, drafts, and other machinery for economizing money of every kind ; the latter, on the contrary, giving such notes in the *direct* ratio of the existence of that superior currency which, as the Secretary himself informs us, everywhere tends to supersede the note. So too, as will now be shown, is it with reference to the public debt, his teachings being in the direction of maintaining inviolate the public faith, the tendency in the opposite direction of the public mind becoming, and that necessarily, more and more rapid as his policy is more fully carried out. Like the boatman, he is always looking in one direction while rowing in another.

Seeing clearly that such is the present tendency, and correctly appreciating "the great interest and alarm excited by the doctrines recently promulgated," the Secretary has, in his recent voluminous and most feeble report, devoted much space to a lecture on the absolute necessity for paying the debt in gold, both principal and interest. Replying thereto, Congress might, as we think, with great propriety ask of him to show how far his own measures in the past had tended toward diminishing the amount of interest now to be paid ; toward lessening the present burthen of the debt ; toward increasing the general power to contribute to the revenue ; toward strengthening the hands of that loyal portion of our people to which we had been indebted for suppression of the rebellion, and to which alone the holders of our public securities can now, or in the future, look with any confidence for disposition to carry into full effect the contracts of the war. Admitting that this were done, let us now look to see what are the figures in relation to present burthens that must be given in the reply that would then be made.

In October, 1865, the total debt was \$2,808,549,000, of which \$1,162,000,000 were payable in gold. The total interest was \$133,000,000, of which \$67,000,000 were gold, and \$66,000,000

currency. Admitting now that the character of the debt had remained unchanged, and taking the price of gold at 140, the quantity of lawful money to-day required for payment of interest on that amount of debt would not exceed \$150,000,000.

In October, 1866, the debt, deducting money in the treasury, had been reduced to \$2,551,000,000, of which the gold portion had been increased to \$1,342,000,000. Here was a large reduction and yet the interest paid thereon appears to have grown to \$143,751,000, the gold portion of which must have been \$78,000,000. Estimating as before this gold at 140, it would amount to \$109,000,000, adding to which the currency portion, \$66,000,000, we obtain as the amount of lawful money then required for satisfaction of demands for interest the sum of \$175,000,000.

In October last the debt had been further reduced, and then stood at but \$2,491,000,000, the gold portion of which had grown to \$1,175,000,000. Almost three hundred millions less in quantity it now requires for the payment of interest, as stated in the report, page 43, no less than \$152,515,640, being nearly \$20,000,000 more than had been needed before reduction of the principal had been commenced. Of this the gold portion is \$105,000,000, being the equivalent of \$147,000,000 lawful money. Adding now to this the currency portion, say \$47,000,000, we obtain as the total amount of lawful money this year required for satisfaction of claims for interest no less a sum than \$194,000,000, being \$44,000,000 more than had been needed when the debt, as stated by the Secretary himself, had been \$266,000,000 greater. Adding further the interest on these \$266,000,000, we obtain \$210,000,000 as the amount that would to-day be payable on the same amount of debt which had existed at the date of the celebrated decree which announced "contraction" as being the order of the day ; and by means of which confidence, public and private, has been so far destroyed, and the societary movement so thoroughly paralyzed, that the payment of even half of this enormous amount would be far more

burthensome than would have been that of the whole on the day on which the Secretary entered on his most destructive career.

At the date of that mischievous and most unfortunate decree there were still outstanding compound interest notes, payable in 1867 and 1868, to the extent of \$159,000,000. The interest on these, so far as paid, may be estimated at \$20,000,000 ; and to that extent is the growth ; of currency interest accounted for. There is in this, however, nothing to account for the fact that the interest hereafter to be paid, all of it, in gold, stands at \$130,000,000, or within \$3,000,000 of the sum actually paid in the fiscal year 1866, when the debt stood at its very highest point. We are thus presented with the fact that the Secretary proposes in the next fiscal year to divide among bondholders \$130,000,000 of gold, now worth in lawful money more than \$182,000,000 ; whereas the amount of such money required at the time when the debt amounted to \$2,808,000,000, had been but \$150,000,000. In all other countries the public credit improves with diminution of the need for loans. Here, under our admirable system of finance, it seems, on the contrary, to deteriorate as the debt is more and more diminished.

The remarkable fact is thus presented, that precisely as the paralysis becomes more general—precisely as labour and all its products fall in price—precisely as lawful money becomes more valuable in the hands of those who hold it—precisely as it becomes less and less attainable by those who need to get it—precisely as taxation becomes more and more burthensome—precisely as these phenomena become more general throughout the land, the quantity of lawful money required for satisfaction of the claims of bondholders increases ; the poor being thus made poorer while the rich are being made richer, and banks, bankers, and treasury agents building palaces, while mills and mines are being closed and working men and women deprived of power to obtain either the food or the clothing required by their families and themselves.

On an average the prices of labor and its products are at least a third less than had been the case at the date on which the Secretary announced to

Congress and the people his determination to enforce “contraction.” The \$182,000,000 lawful money of to-day would therefore purchase almost as much as could have then been bought with \$300,000,000. As but half this latter sum, or \$150,000,000, was then required, it is clear that the burthen of taxation for payment of interest has, except among the bondholders themselves, by means of the Secretary’s policy been fully doubled. Hence it is that the cry has become so general for discharge of the principal in lawful money. Hence it is that the word repudiation is now so freely used ! That it shall soon become universal all that is needed is that the Secretary shall be allowed by Congress to go ahead in the substitution of gold bonds for greenbacks, for compound interest notes, and for all other securities that make no demand for gold, whether for principal or for interest.

The amount of gold to be paid in the neat fiscal year, for various purposes will exceed \$140,000,000. To enable the Treasury to obtain that quantity our importations, allowing for frauds of various kinds, must exceed \$400,000,000. Adding to this interest payable abroad, travelling expenses and freights, we obtain a sum exceeding \$500,000,000, and perhaps reaching \$550,000,000. Against this we have exports in the last fiscal year amounting in currency to \$385,000,000, and in gold to \$231,000,000, leaving little less than \$300,000,000 to be paid, in either gold or bonds.

The day for the sale of bonds abroad is fortunately approaching its close, and with every step in that direction there must be diminished power to import foreign merchandise, accompanied by diminution of Custom-House receipts. With each there must be diminution of treasury power for controlling prices, that diminution keeping steady pace with the increased necessity for gold growing out of a constant substitution of gold bonds for those whose demands upon the Treasury are limited to lawful money. Such being very decidedly the tendency of affairs, the probability is great that the \$130,000,000 required for the coming fiscal year will represent much more than \$200,000,000 in lawful money ; and little less than thrice the quantity of commodities generally that could, in

the autumn of 1865, have been purchased with the \$150,000,000 of lawful money that were then required for discharging all the claims for interest.

The late holders of 7.30 currency bonds are now receiving gold equivalent to 8.50 lawful money. But for the interference of Congress, such would now be the case with most of the present holders of legal-tender interest-bearing notes. Such it *will* be with all those whose notes cannot be included within the \$50,000,000 of three per cent. certificates. The perfection of modern financiering is, to all appearance, to be found in raising the rate of interest, in increasing the burthen of the public debt, and in annihilating the power of the people to contribute to the public revenue.* The financial system that carried us through the war, looked, on the contrary, to reduction of the rate of interest, and to stimulation of the societary circulation.

Were it not for the Secretary's profession of desire to maintain the public faith we should be much disposed to believe that, determined upon bringing about repudiation, he had arrived at the conclusion that the shortest road thereto lay in the direction of making the debt from day to day more burthensome. Certain it is that had such been his wish, he could have chosen no better course of operation than that he has so consistently pursued almost from the hour that he was so unfortunately placed in the direction of the national finances.

§ 2. Prior to the breaking out of the rebellion Congress had been accustomed to define very accurately the course to be pursued in the negotiation of loans and in the discharge of public debt, and to require that in all cases there should be the most perfect publicity in regard thereto. With the war, however, there came, here as elsewhere, many changes, the exigencies of the case having made it necessary to leave very much to the discretion of the distinguished man who then, so honorably to himself, discharged the duties of the place now filled by Mr. Secretary McCulloch. Peace having returned, it might have been supposed that his successor would gladly have sought, as far as possible,

to relieve himself from responsibility, taking the orders of Congress rather than promulgating his own decrees. Directly the reverse of this, however, he has, on every occasion, whether as regarded contraction or expansion, sale of gold or cancellation of greenbacks, negotiation of loans or discharge of liabilities, demanded to be invested with full authority, and has, with all his energies, resisted every effort at limitation of his powers. Such having been, and such being now the case, there would seem to be propriety in showing, to some small extent, how power has been exercised in the past, with a view to proper understanding of what may be looked for in the future.

The last hours of the XXXIXth Congress were marked by the enactment of a law having for its object limitation of the Secretary's contractive force. To the end of compelling the banks to absorb the greenbacks then in circulation he had announced a determination to convert all the "interest-bearing notes into five-twenty bonds," and had already so far proceeded in the act that of the \$217,000,000 issued there had remained outstanding, at the date of his report, less than \$160,000,000. Of these a large amount would become payable on the first of October 1867, and thenceforward to August, 1868, and it was greatly feared that while limited in his *direct* contraction of the currency to \$4,000,000 per month, he might, *indirectly*, bring about one thrice greater in amount. That he might be prevented from doing this Congress instructed him to issue three per cent certificates to the extent of \$50,000,000, at the same time authorizing the banks to take and hold them, as they before had held the interest-bearing notes, as part of their reserve. Such was the second act of congressional rebellion—the second repudiation of that financial system which looked to increasing the wealth and strength of the already rich while depriving those who had labour to sell of all power to provide food and clothing for their families and themselves.

Sullenly accepted by the Secretary, he, from the hour of its passage, persistently refused to give any public notice of his intentions in regard to execution of the law that had been thus enacted. Would he issue the

notes and thus prevent necessity for contraction ? Would he refuse to issue them and thus compel contraction ? Such were the questions that for the nearly seven months which passed between the second of March and the first of October 1867, occupied the minds of banks and bankers, borrowers and lenders. As the day approached on which this important question must be determined, anxiety increased, and what were its effects is shown in the following statement of the rate of loans and discounts throughout September :—

	Sept. 9	Sept. 16.	Sept. 23.	Sept. 30.
Call loans	3 @ 4	4 @ 6	7 @ —	6 @ —
Loans on Bonds and Mortgage	6 @ 7	6 @ 7	6 @ 7	6 @ 7
A 1, indorsed bills, 2 mos.	6 @ 6½	6 b@ 6½	7 @ 7½	7 @ 7½
Good indorsed bills, 3 and 4 mos.	6½ @ 7½	6½ @ 7½	8½ @ 10	8½ @ 10
Good indorsed bills, single names	9 @ 10	9 @ 10	10 @ —	10 @ 20
Lower grades	11 @ 15	12 @ 18	12 @ 20	12 @ 20

“ The stringent tendency of the money market,” says the *Merchants’ Magazine*, from which we take this table, “ causes a sudden realizing movement at the Stock Exchange, and stocks held at the beginning of the month with much confidence in a rise corresponding to the improved earnings of the roads, were sold at a decline ranging from 5@10 per cent.”

To calm the excitement then existing—to relieve the public mind—to save from bankruptcy hundreds of most useful citizens—to maintain in employment tens of thousands of working men and women—all that was then required was a *single word* from the Secretary to the effect that he meant certainly to obey the law ; but, *that word was never uttered*. Why was it not ? Why had it not been uttered even six months earlier ? Why had our whole people been kept so long in ignorance in reference to a matter of such vast importance ?

The first of October at last arrived, bringing with it an absolute necessity for announcement of the fact that the Secretary, having always regarded the act as “mandatory,” had then no power to avoid its execution. At once the public mind was relieved, and men went on their way rejoicing

in the belief that bankruptcy might be avoided without necessity for adding to the enormous sacrifices they had already made.

The Secretary professes to be deadly hostile to “speculation,” yet here do we find him compelling nearly the whole society world to give itself during many weary months to the work of “speculating” as to whether he would or would not comply with the provisions of a law that had been enacted with a view to limit his powers far mischief. We say *nearly the whole*, it being scarcely to be supposed that there did not exist some one or more persons fully cognizant of the fact that he had arrived at the conclusion that the law had been so worded as to leave to him no choice whatsoever ; and that, for that reason, it must be carried into full effect. Were there any such persons ? If so, they were in possession of a secret worth very many millions. Having seen the cards they could safely “speculate,” doing this by aid of a studious silence on the part of an officer of the government who ought to have known that retention of so important a secret must inevitably have the effect of inducing suspicion that he himself had profited of the “speculation” he had so freely and so persistently denounced ; and whose self respect should have taught him that, like Caesar’s wife, he was bound to be not only pure but unsuspected.

In the whole history of the government there can be found no single case in which a secret has been more perfectly, if even so perfectly guarded. Down to the moment *at which silence could be no longer kept* the bank officers of this and other cities were kept, in ignorance as perfect as could have been the case had it been a decision of the French or English government that had been awaited. That others, and those others in close relation with the treasury, were not so ignorant would seem to be fully proved by the magnitude of the purchases that, as generally understood, then were made.

Starting now from the day on which the public mind had been relieved, and the “speculators” had been thus placed in a position to realize large profits on their extensive purchases, we may now study the course of

things from that date to the present time. To that end the following table is submitted, showing—

- I. The total amount of currency in the treasury ;
- II. The amount thereof deposited in the banks ;
- III. The quantity of notes withdrawn from circulation by being placed in the various sub-treasuries ; and
- IV. The gold on hand after deducting the gold notes then outstanding.

	Oct. 1.	Nov 1.	Dec 1.	Jan. 1.
Total currency	31,813,000	22,458,000	37,486,000	25,770,000
On deposit	22,434,000	23,590,000**	23,000,000†	23,000,000†
In Sub-treasury notes	9,379,000		14,486,000	2,770,000
Gold	88,000,000	97,000,000	82,000,000	88,400,000
	97,379,000	97,000,000	96,486,000	91,170,000

The remarkable fact is here presented, that while the whole quantity of money, gold and paper, in the various sub-treasuries but slightly varies, the difference of proportions is enormously great, notes being withdrawn from circulation as gold is sold, and gold reappearing as paper is again permitted to go abroad. Closely following the announcement that the three per cent. certificates were really to be issued, and at the very moment when the “speculators” of September had such substantial reason for desiring that money should be abundant, we find the sub-treasuries to have been entirely stripped of notes, while gold was being rapidly accumulated. October passed, November now presents another change, gold being sold and notes to an enormous extent withdrawn ; that withdrawal, too, made at the moment when large amounts were being called for at the west and south for removal of the crops, and the rate of interest being thus carried even higher than had been the case before the issue of certificates.

	Nov. 1.	Nov. 8.	Nov. 15.	Nov. 22.	Nov. 30.
Call loans	6 @ 7	6 @ 7	6 @ 7	7 @ —	7 @ —
Loans on bonds and mortgage	— @ 7	— @ 7	— @ 7	— @ 7	— @ 7
A 1, indorsed bills, 2 mos.	7 @ 9	7 @ 9	7 @ 8	8 @ —	7½ @ —
Good indorsed bills, 3 and 4 months	9 @ 12	9 @ 12	8 @ 12	8 @ 12	8 @ 12

Good indorsed bills, single names	11 @ 12	11 @ 12	11 @ 12	11 @ 12	11 @ 12
Lower grades	15 @ 25	15 @ 25	15 @ 25	15 @ 25	15 @ 25

December now, as we see, presents another change, gold being piled up as notes are paid out, money being made again abundant, and “speculators” of the previous month being now again afforded opportunity to realize their profits. What may have been the movement in the month that since has passed we have no present means of knowing ; but, as motley is now *permitted* to abound, it may fairly be assumed that in that time little gold has been sold, and but few notes have been withdrawn.

Studying the facts above presented the reader must, we think, be forcibly reminded of the well-known game of the pea and the thimble, commonly known as thimble-rig. Of those who play it there is allays one *who knows exactly where the little joker may be found*, and he it is who profits by the “speculation.” So, as it would seem, is it in all our present treasury arrangements, there being always some one who knows under which thimble the golden pea may certainly be found, and whether he may safely play the part of bull or bear ; and hence it is that fortunes are being now so largely and so rapidly accumulated by all of those concerned in the various treasury manipulations.

§ 3. The suggestion has been made by some evil minded persons that political reasons had had much to do with the extraordinary financial movements of September and October last, money having been made exceedingly scarce and men in thousands having been deprived of power to earn subsistence for their families and themselves, at the very moment when elections in the great central States were already close at hand. What truth there may be in this none but the Secretary himself can certainly tell, but sure it is, that had he desired to produce general dissatisfaction he could scarcely have chosen any more suitable course of action than that here exhibited as occurring in the few weeks which preceded the second Tuesday of October last, as follows :—

BEFORE ELECTION.

AFTER ELECTION.

Menaced suppression of \$50,000,000 of legal tender notes :
Large sales of gold :
Temporary suppression of \$9,000,000 circulating notes :
Contraction universal and crisis imminent :
Bears and money lenders rejoicing :
Mills and mines being closed, and working men despairing of both the present and the future.

Announced emission of \$50,000,000 of three per cent. certificates :
Gold sales stopped :
Actual emission of \$9,000,000 of circulating notes :
Inflation general, and fear of crisis removed :
Bulls and borrowers rejoicing :
Miners, manufacturers, and working men more hopeful.

How the treasury action first above described was then regarded, is shown in the following paragraph from the *Merchants' Magazine* of October last, and particularly in the sentences here italicized :

“ The money market during September exhibited the activity usual at the fall season. The demand for currency, to move the crops at the West, has been unusually large, owing not only to the abundance of the yield, but equally to the high prices of breadstuffs and the anxiety of the farmers to realize. The receipts of grain at the lake ports have been about double the quantity for the same period of 1866 ; and the Western banks have been taxed to their utmost in satisfying the wants of the movers of this large amount of products. The discounting and rediscounting of produce paper, and the withdrawal of the balances of Western banks have caused an outflow of currency, legal tender and bank, of probably fully \$25,000,000 within the month ; and at the close the efflux continued in undiminished volume. *The financial operations of the Government have also had an important bearing upon the course of the money market. At one period its sales of coin and of bonds largely exceeded its disbursements in the purchase of seven-thirty notes, resulting in a temporary withdrawal of currency from the banks which, together with the westward drain, and the calling in of funds from some of the national depositories, had the effect of producing a very sharp stringency, and a full 7 per cent. rate on demand loans.* The city merchants have suffered inconvenience from this condition of things. As the banks could employ their balances at 7 per cent. on call they have been indifferent about discounting, and have confined their operations in paper to the best of their depositors. Large amounts of choice paper have been thrown upon the street at 7½ @ 9 per

cent.; while fair average names have sought buyers in vain at much higher rates.”

Looking only at the movement by which the elections had been preceded the political idea would certainly seem to have some foundation ; but when we study the whole ground as above exhibited, and estimate the number of millions that might have been, and perhaps were, realized by parties, individual and incorporated, who had stood behind the scenes selling gold and heaping up greenbacks ; gathering large commissions and controlling free of interest the public moneys ; investing those moneys in bonds and stocks preparatory to the upward movement that must inevitably follow disclosure of the important and closely guarded treasury secret ; the idea becomes in a high degree absurd. Still more so does it appear when we take the month following the last of the fall elections, finding in November the “contractive” screw turned again and to such extent as in that short period to have converted into paper no less than \$15,000,000 of treasury gold ; all this, too, having been but the prelude to an “inflation” that, in the month directly following, converted into gold nearly all the treasury paper. Seeing the vast pecuniary advantage that must have resulted from such manipulation of the public funds, none but the most maliciously disposed could possibly be led to find therein any evidence of the Secretary’s desire to interfere in mere politics.

The Secretary’s friends, including, of course, all those of both political parties who stand behind the scenes, justify this course of action, asserting it to be his duty to cause money to abound at intervals in order to obtain good prices for the gold bearing bonds he seeks to sell ; and then to cause it to become scarce that he may obtain at low prices the paper-bearing securities he seeks to buy ; a very comfortable doctrine, certainly, for those who know *the precise moment at which they themselves may buy and sell*. Less comfortable, however, is it for that outside public which finds itself robbed at one moment by being forced to sell to the well-informed ; and then again robbed at the following one

by means of an artificial expansion of the causes of which, as well as of the contractive movement *meant to follow*, it is kept in utter ignorance.

At the great European gaming establishments, Baden, Homburg, and others, the laws of the game establish an advantage to the bank by means of which, notwithstanding occasional heavy losses, it *must*, in the long run, come out winner. Outside of this all is fair, and players have not the slightest fear that dice will be clogged, that cards will be packed, or that *well-informed* employees will be found betting on their own private account. Here, on the contrary, each successive treasury report furnishes evidence that the cards *had been* packed, while the rapidly accumulating fortunes of treasury friends and agents give proof conclusive that *they*, at least, had not been kept in ignorance.

Desiring now to compare the Secretary's practice with his theory we turn to his report for December, 1866, and there read as follows, the italics being our own :—

“ Under these circumstances, feeling sensible of the great responsibility of his position, the Secretary has deemed it safer and better for the country to act according to the dictates of his own judgment, carefully regarding the condition of the markets and of the treasury, rather than to take his direction from those who, however intelligent and able, were under no official obligations to the government, and might be less accurately advised in regard to the actual state of its financial affairs. *He has regarded a steady market as of more importance to the people than the saving of a few millions of dollars in the way of interest, and observation and experience have assured him that, in order to secure this steadiness in any considerable degree, while business is conducted on a paper basis, there must be power in the treasury to prevent successful combinations to bring about fluctuations for purely speculative purposes.*”

Here, as elsewhere, the theory is excellent, but when we compare it with the practice, it is found that the last sentence of this passage would very accurately describe the latter had it told us that the treasury must have

“power for the *promotion* of successful combinations to bring about fluctuations for merely speculative purposes.”

The Secretary bitterly opposes all that “speculation” which manifests itself in the opening of mines, or the building of mills and furnaces. Of all the financial ministers the world has yet seen, those alone excepted by whom Louis Napoleon has been surrounded, there is, nevertheless, none who has more favored that class of “speculators” which profits by causing the “fluctuations” he here professes himself desirous to prevent.

§ 4. “ The debt is large, but *if kept at home*, as it is desirable that it should be, with a judicious system of taxation, it *need not be oppressive*.”—*Report on the Finances, Dec. 1865*.

Such was the Secretary’s Theory at the opening of the Thirty-ninth Congress, but little more than two years since. Nevertheless, almost before the ink had dried with which it had been written, and certainly before there had elapsed even a single month, he had become most urgent with Congress to permit him to manufacture bonds expressly calculated for European markets. Most wisely, permission was refused, Congress having been then of the opinion that the debt, if *not* “ kept at home,” *must* become “oppressive;” and that it would become more and more unbearable as it became more and more the property of absentees, whether foreign or domestic.

One year later, in the Secretary’s Report of December, 1866, we find him addressing Congress in these words :

“ Our importations of goods have been increased by nearly the amount of the bonds which have been exported. Not one dollar in five of the amount of the five-twenties now held in England and upon the continent has been returned to the United States in the form of real capital. But if this were not a true statement of the case, the fact exists, as has already been stated, that some three hundred and fifty millions of government

bonds—not to mention State and railroad bonds, and other securities—are in the hands of the citizens of other countries, *which may be returned at any time for sale in the United States, and which, being so held, may seriously embarrass our efforts to return to specie payments.*”

The theory here propounded is admirable, but what was to be its writer’s practice ? Did this latter look towards’ bringing about a state of things that should enable the smaller holders among ourselves to retain the bonds yet remaining in their hands ? Did it look to abolition of that great money monopoly in the creation of which the writer himself had taken so large a part, and by means of which the domestic market for bonds, as security for circulating notes, has been limited to little more than \$300,000,000 ? Did it in any manner tend toward lessening the power of foreign creditors over all our movements ? Nothing of the kind ! Directly the reverse, the Secretary asked that

“ He should be authorized to issue bonds, not having more than twenty years to run, and bearing a low rate of interest, payable in England or Germany, to be used in taking up the six per cents now held abroad, *and in meeting any foreign demand for investment that may exist.* The question now to be considered is not,” as he continued, “how shall our bonds be prevented from going abroad—for a large amount has already gone, and others will follow as long as our credit is good, and we continue to buy more than we can pay for in any other way—but, how shall they be prevented from being thrown upon the home market, to thwart our efforts in restoring the specie standard ? The Secretary sees no practicable method of doing this at any early day, but by substituting for them bonds which, being payable principal and interest in Europe, will be less likely to be returned when their return is the least desired.”

Here, as everywhere, we find the Secretary’s practice to be in direct conflict with the theory so well presented in his report. Finding this latter excellent, and having no faith whatsoever in the former, Congress again refused the permission for which be had thus again applied.

Another year having now rolled round we are favored with a new report, containing not even a single word in reference to the exceeding dangers to be apprehended from the existence of a foreign debt for the mere interest on which there are now required sixty millions of gold dollars, and most probably a quantity greatly larger. Equally silent is he seen to be in regard to his favorite idea of manufacturing bonds expressly calculated for captivating the fancies of the little capitalists of Continental Europe—theory and practice being, apparently, alike forgotten. Not so, however, the whole scheme promptly reappearing in another shape, demanding \$20,000,000 for meeting the expenses incident to carrying it into full effect ; and threatening, like the celebrated horse of Amy Darden, to be ridden year after year into our legislative halls until, as in that memorable case, Congress shall, from sheer exhaustion, be led to grant the power for which the demand had been so persistent.

Meanwhile the Secretary has not failed to use all the power with which he had been, unhappily, invested ; nor is he likely to do so in the future. The foreign market requires gold-bearing bonds, and will take nothing else. Seven-thirties cannot, therefore, go abroad. So, too, is it with legal-tenders and compound-interest notes. To fit them for exportation they must be converted into five-twenties, a work to be accomplished at any cost. So well has it been accomplished that these latter have gone *by tons weight* across the Atlantic, and so rapidly as effectually to have prevented any rise of price, and to have caused a national loss of probably a hundred millions.

Common sense might have taught the Secretary that the more cotton, wheat, bonds, or any other commodity, forced upon the foreign market, the lower *must* be the price abroad and at home. Equally might it have taught him that the more he increased the necessity for gold the higher must be its price. Setting at naught, however, all its teachings, he has glutted Europe with the one, while so increasing his need for the other that he now *dares not* to do anything tending to prevent increasing the foreign debt. Bonds must be sold that gold may be made to flow into the

treasury through the custom-house ; and any failure to find further foreign markets for securities must, and certainly will, be followed by failure to pay the gold interest the Secretary now so freely promises.

Those promises can be redeemed only on condition of an import of merchandise that, after deducting other demands abroad which constitute first mortgages upon our exports, leaves a balance of hundreds of millions to be paid in either gold or bonds. The more we send of the latter the lower will be their price, and the higher will be the rate of interest ; and yet, strange to say, the Secretary fancies that it is by means of travel in that direction we are to reach resumption !

With each new bond manufactured by the Secretary, in defiance of his own teachings, for exportation, it becomes more uncertain as to when, if ever, we shall resume the use of the precious metals. With each it becomes more certain that the road in which he would have us travel finds its termination in bankruptcy of the treasury, and final repudiation of the public debt.

§ 5. Of the many lessons taught us by the war the most important was that from which we learned that the national strength had grown, and must continue to grow, with the growth of self-dependence. Mining our own coal, smelting our own ores, and making, wearing, or using our own iron and cloth, swords and guns, ships and engines, but little difficulty was experienced in meeting the large demands of the government for labor and its products of any and every kind, accepting, in return, its promises to pay in money at a future day ; doing all this too not only without the aid of British capitalists, but in direct defiance of their predictions that the debt thus being contracted neither could nor would ever be discharged. For the first time in our history we found ourselves released from all dependence on foreign banks and bankers.

Throughout the war the societary circulation had been rapid to a degree never before known in any country of the world. Labor had, therefore,

been so productive as to have enabled thousands and tens of thousands of working men and women to accumulate little capitals ; and so absolute was their faith in the public promises of future payment that they gladly placed their little earnings in the treasury, to be used for prosecution of the war. Confidence of the people in their government so far begot confidence in each other that throughout the whole range of the loyal States it made itself manifest in the great fact, that in the rate of interest paid by poor and rich, by the weak and the strong, the owner of the little workshop and the proprietors of the great railroad, the man of the East and his correspondent in the West, there was a nearer approach to equality than had here ever before been known.

With return of peace and the accession to power of the present Secretary it came, however, to be discovered that, however well-intentioned might have been his predecessors, their whole movement had been grievously erroneous and must be at once retraced. Machinery of exchange had been too abundant, and the supply thereof must be contracted. The community had become too largely indebted to its individual members, and the debt must at the earliest moment be diminished, preparatory to being, and at an early date, entirely discharged. Lenders had been placed at a disadvantage as compared with borrowers, and needed now to have their grievances redressed. That all this might be done—and done, too, at a time when States, counties, cities, and individuals were yet struggling under heavy burthens resulting from voluntary contributions to the extent of hundreds of millions—it was needed that prices should be everywhere diminished, taxes meanwhile being maintained at their greatest height ; the Secretary thus demanding that the people's candle should be burned at both ends, with a view, perhaps, to determination of the important question as to how long, under such circumstances, it could be made at all to last.

So it has been burnt until mines, mills, and workshops have to so great an extent been closed that hundreds of thousands of working-men, their wives and children, have been deprived of bread ; their owners, meantime, having been wholly deprived of revenue.

So it has been burnt until the domestic consumption of cotton has been to so great an extent diminished as to *force* upon the country that, increase of dependence on foreign markets which has reduced its price to, less than the cost at which it could be reproduced.

So it has been burnt until confidence has so nearly disappeared that working-men, the really useful portions of society, find themselves compelled to pay thrice, even when not quadruple, the rate of interest.

So it has been burnt until long loans on individual credit have almost entirely given place to loans “on call,” on the security of government bonds.

So it has been burnt until our dependence on foreign banks and bankers has become more complete than at any former period.

So it has been burnt until the Secretary has become entirely dependent on imports resulting from the sale of bonds abroad for means with which to pay the daily growing interest on the public debt.

So it has been burnt until from almost the whole interior comes advice of entire inability to meet the just demands of city merchants.

So it has been burnt until the picture presented in all our cities has become that described in the following paragraphs cut from journals of the day :—

DESTITUTION IN PHILADELPHIA.—Unusual destitution is prevailing this winter among a class which has hitherto been comparatively free from want. We refer to respectable mechanics with their families, and work-women of every kind, such as have never before needed alms. Rev. Mr. Long, the Bedford Street missionary, whose specialty it is to relieve poverty, declares that the misery among the *respectable* poor, who are the last to beg, is heart-rending. Those who are able and willing to contribute alms, which will be employed in the most judicious manner, may send them to this gentleman, No. 619

Bedford Street. There is at present especial need in this severe weather for shoes and garments.

“ The report of the NEW YORK ASSOCIATION for improving the condition of the poor, shows that during the month of January the number of the needy classes was greater than in the corresponding one of any year save January, 1855. Great as is the present destitution, the Association fears it will become even greater, as the month of February is always found to be the most trying for the poor. Compared with the past winter, there has been, up to the present time, a decrease of \$5411 in its receipts. This fact finds an explanation in the existing business depression, which not only causes increased want to be relieved, but contracts one of the main sources of that relief. In addition to this cause, the Association has not been favored as usual with special donations ; and, although no public appeal has as yet been made, it has become necessary to do so. The total number of families assisted during the month was 4943, and of persons 18,123. The amount expended in relief was \$13,021.14, and the number of visits amounted to \$8712.”

The Boston *Traveller* says : “ Such has become the increased demand for soup at the station-houses that it has been found necessary to procure sixty-gallon kettles instead of those holding only forty gallons, which were first put in use. Yesterday several of our first men tested the quality of mutton soup provided, and pronounced it capital, and good enough for anybody.”

Such having been the results obtained, we may now, for a moment, study the Treasury process by means of which so disastrous a state of things has been produced.

Throughout the war, confidence being universal, capital was freely scattered through the country to the great advantage of farmers, miners, manufacturers, and working-men of every kind. To compel its withdrawal and to raise the current rate of interest that confidence needed to be destroyed, and to that end it was required that we should have successive shocks, such as have already been described—gold being sold at one moment and paper withdrawn, the latter being again

pushed out as the former was heaped up—until it should become manifest that none but the very rich could hope to prosecute their operations to a successful termination. To what extent this system has been carried throughout the past half year has been already shown, and its effects in forcing capital back on the great centres of speculation are here described :—

“ The monetary irregularities connected with the arbitrary withdrawal of a large portion of the circulation caused the banks throughout the country to hold an ample amount of their funds constantly in readiness for sudden emergencies ; and the suspension of the process, having removed these dangers, has left the interior banks free to employ an enlarged proportion of their money with their New York correspondents. This accumulation of deposits, however, is to be regarded as indicating an unusual contraction of business operations, which is another of the injurious consequences of an unnatural process of contraction.”—*Circular of Clews & Co., New York, Feb. 7.*

The general alarm of September last, consequent upon large sales of gold, and refusal of the Secretary to give any *public* notice of his intentions in regard to the three per cent. certificates, caused a reduction of the deposits of the associated banks of New York, from 195 to 178 millions. In October, when the Secretary gave out paper and heaped up gold, they rose again to \$187,000,000. Sales of gold and absorption of paper, in November, forced them down at the opening of December, to \$174,000,000. Giving out of paper and retention of gold carried them up again, until, on the 4th of January, they had reached \$187,000,000 ; and on the 1st of the present month, no less an amount than \$213,000,000, or about \$10,000,000 in excess of anything that had before been known. Such have been, and such still are, the movements of a finance minister who professes himself opposed to “speculation,” and gravely asks for power to be used in preventing “ *successful combinations to bring about fluctuations for purely speculative purposes.*”

By all this *somebody* profits. That the general public does not would seem to be proved by the following from the same Circular to which we have been indebted for the paragraph given above :—

“ In financial circles there is a very general feeling of dissatisfaction at the bearing of the public debt upon the rate of interest. There is now held on this side of the Atlantic, about \$1,400,000,000 of United States gold-bearing bonds, the larger portion of which yield interest equal in currency to 8 to 8¼ per cent. This high rate of interest upon such an enormous aggregate of investments has a tendency to keep capital aloof from productive employments, and naturally compels borrowers to pay more for the use of money than they can afford. The prevalence of high prices and the heavy taxation of products tend directly to reduce the net profits upon business ; and, as an offset to this diminution of profits, money should be procurable at a proportionately lower interest. But so long as the Government is paying such exorbitant rates, this desideratum is impossible of attainment. Should this condition of things be long continued, the mercantile interest must be ultimately seriously impoverished, and the progress of the country retarded.”

Who, then, *does* profit by all these contrivances for raising the rate of interest—for improving the condition of those who live without labor and for destroying public and private credit ? The answer to this question is found in the fact that there are always certain persons who know exactly *when to buy and when to sell*, and who *do* buy and *do* sell at precisely the time when profit is certain to result therefrom. For the benefit of such persons, and not that of the people at large, is, to all appearance, the Treasury now administered ; and if such a course of administration shall not have the effect of bringing about final repudiation of the debt, it will need to be recorded as one of the most wonderful facts in financial history.

How all this affects the general power to contribute towards payment of either principal or interest of the debt, may be understood by those who

study the following figures, representing the state of the Treasury at the opening of the year, and on the first of the present month :—

	January.	February.
Currency	\$ 25,770,000	\$ 25,578,000
On deposit [estimated]	23,000,000	23,000,000
In Sub-treasury	\$ 2,770,000	\$ 2,578,000
Gold	88,400,000	68,862,000
Total	\$ 91,176,000	\$ 71,440,000

With no diminution whatsoever of the debt there is, as here is shown, an actual loss of \$20,000,000 in the means with which to meet it. Deducting this from the payments of the month, \$42,700,000, we obtain as the actual revenue less than \$2\$,000,000, or the equivalent of \$270,000,000 for the year ; and even that obtained at the cost of sacrifices on the part of tax payers that find no parallel in any portion of our financial history. Seeking compensation therefor, the unhappy sufferers must be content to find it in the fact that to banks, bankers, and Treasury agents the system has proved so largely profitable that they now propose to establish in Washington a journal charged with the especial duty of advocating that policy under which the many are being deprived of bread, while the few become daily richer ; that one under which the burthen of the debt increases with every hour ; that one which tends to carry us forward, and with daily increased rapidity, towards final repudiation.

§ 6. “ The Secretary of the Treasury holds despotic power over the material interests of the country, and it is now known by the disclosures made, beyond truthful denial, that the authority he holds has been used, ignorantly or by design, to promote private ends at public cost.

“ It is an error to suppose that the Secretary is deprived of the power of contraction or inflation of the currency. He may sell bonds or gold at his pleasure, privately ; collect the proceeds of sale in currency, withhold it from circulation, and thereby reduce it temporarily, as certainly as if the notes were cancelled ; and then, by payments from the Treasury, inflate again.

“ Prior to the war, the uniform practice of the Government was to offer to public competition the bonds of the United States, and awarding them to the highest bidder. Then no secretary would have dared to sell bonds without special authority, and by public sale. The employment of brokers was unknown, and transactions, such as have been reported, would have insured prompt inquiry and condemnation.

“ The exigencies of the war appeared to justify another course of action, and many thoughtful and experienced men saw its dangers, and warned the public of the threatening peril ; but they warned in vain, and that which was intended to be only temporary, became the established practice, and the prevalence of a remarkable and unaccountable apathy in regard to the financial interests of the country, doubtless protected the officials and their friends from the investigation which now is being instituted. Encouraged by the indifference referred to, and stimulated by the hope of vast additional gains, the famous ‘Sherman Funding Bill’ was conceived ; a scheme doubtless the product of much thought and of many minds, fertile in expedients, and skilled in the art of applying language to conceal and not express their thoughts and designs.”

In the views thus expressed by the able author of an anonymous paper just now published nearly all will now fully coincide. Entire as was its confidence in the integrity of the then finance minister, and fully as that confidence has been justified by the fairness and openness of his conduct throughout the war, Congress certainly, and greatly, erred in granting to any one, however honest or however able, an exercise of power so absolute as was that granted to Mr. Chase. Necessity alone could at all have justified such a course of action. With the close of the war that necessity ceased, and thenceforth should there have been a change the most complete, publicity being enforced and the finance minister of the day, be he whom be might, being thus freed from the suspicion that must necessarily arise when hundreds of millions are negotiated with a privacy so perfect as to have given no little color to the charge that millions, if not even tens of millions, had been made so to pass into the hands of the negotiators as almost entirely to defy detection.⁴

Mr. Chase and his immediate successor courted publicity ; whereas, their successor, the present Secretary, so entirely avoids it that, outside of a certain magic circle, few pretend even to guess at the shuffling of the cards till the game has throughout been played, and the winnings bagged. The former always used words calculated to “express,” and *not* to “conceal their thoughts and designs”—never saying *black* when they really meant *white*. With the latter all is different, his teachings and his practice being uniformly in conflict with each other, black meaning always white, and *vice versâ*, as will now be shown.

Professing publicly a desire to prevent inflation and stigmatizing as “inflationists” all who fail to see the public advantage that is to result from building up the fortunes of banks, bankers, treasury agents, and all others within *the ring*, we find him privately injecting tens of millions into those great centres of speculation in which single millions do more toward producing the inflation he affects to deprecate than could be done by tens of millions of legal tenders given to the Centre and the West :

Professing publicly a desire to bring about financial stability we find him privately exchanging millions and tens of millions of gold for the “paper money” he so much dislikes ; and then again as suddenly, and as privately, reconverting millions of this greatly despised “ paper money” into gold :

Publicly professing a desire to prevent “speculation” he is constantly and privately engaged in bringing about the changes desired by speculators, so well succeeding that the chill and the fever now follow each other with a rapidity wholly unparalleled in our financial history :

Publicly professing a desire to prevent “successful combinations to bring about fluctuations for purely speculative purposes,” the chief business of the Treasury now, to all appearance, consists in privately organizing such combinations :

Publicly professing a desire to keep the debt at home, the private arrangements all tend towards compelling small holders to part with

their little property, and thus to furnish the bonds required for foreign markets, and for facilitating those imports by aid of which, alone, the Secretary can at all hope to obtain the gold whose payment he now so freely promises.

The regular recurrence of this opposition between theory and practice may, perhaps, be attended with some disadvantages ; but, on the other band, it has the recommendation that when we desire to know what it is that the Secretary means privately to do we need only to seek for the apposite of that which publicly he recommends as proper to be done.

Looking thus always one way while rowing in another the Secretary furnishes a subject for “speculation” the like of which the financial world, here or elsewhere, till now, has never seen—a whole people “speculating” as to how it is that the cards are being shuffled. Detectives innumerable hover about his path, at one moment announcing that 10-40s are being smuggled into circulation, and at the next that offers for millions of the same had been privately refused. Closely following public efforts at stimulating offers of 7-30s comes the announcement that the Secretary had privately ceased to purchase. On one day we learn that gold had been gradually smuggled out ; while on the next it is suggested that, determined to hold the gold operators in check, the Secretary has determined to make no further sales. These things may, or may not, be true, but there is always one set of men *that certainly knows*, and that gains by all the movements, those looking to contraction as well as those by means of which “inflation” has so frequently, so privately, and so profitably to the ring, been brought about.

In thus privately arranging for so many hundreds of millions, and thus exposing himself to suspicions so injurious, the Secretary may, perhaps, be misled by the belief that he is rendering public service, and that, Curtius like, he is sacrificing himself for his country’s good. If so, it being wholly wrong to accept such sacrifice, Congress should at once prohibit private arrangements of any kind whatsoever, and insist on the

most perfect publicity being given to every financial operation, large or small. By so doing it would relieve the Secretary as regards the future, but what of the past ? Must he forever be exposed to charges of the malevolent to the effect that he had been prompted by private reasons to the enormous changes above described as having occurred in the past half year ? Assuredly not. Congress would seem bound now to afford him opportunity for showing that in all those extraordinary movements he had proved himself as pure as had been either of his distinguished predecessors. Justice would seem to require that he should, too, be allowed the fullest opportunity for showing that there is not the slightest reason for the belief, now so universal, that the exits and the entrances of the Treasury are so carefully guarded as entirely to prevent effectuation of any public arrangements in regard to disposal of the public revenues.

The financial despotism now here established cannot be paralleled in any civilized country of the world. Determined to maintain it in its full effect, and utterly careless, apparently, in regard to reputation, the Secretary has resisted with all the force of eloquence and, of patronage, every attempt at limitation of his power, or at restoration of publicity in his course of operation. Congress has, however, now rebelled, having prohibited further reduction of the greenback currency, and provided for deposit in the sub-treasuries of nearly all the public moneys. So far it has done well, but further steps are needed. The Secretary ought to be instructed to furnish greenbacks to the banks in payment of the many millions that the interest-bearing notes exceed the 50,000,000 of three per cent certificates. The effect of such a measure would be only that of causing the banks to retain their reserves in notes not bearing interest. It would make little, if any, addition to the currency, while it would save the annual \$2,000,000 of gold that would otherwise be required for payment of interest on the five-twenties with which the Secretary proposes that they be replaced. It would, too, greatly limit his power to manufacture gold bonds for exportation, than which there are few things to be so much dreaded.

Further, the Secretary should be forbidden to make any farther sales of gold, and should be thus deprived of all power for disturbing the money market in the way that has been above described. For this there are however, other and important reasons as will readily be seen by those who mark the fact that the sale abroad of bonds is steadily declining, and with it the power to purchase that foreign merchandise to whose import, alone, we are to look for the gold required for payment of interest on the bonds the Secretary has already so profusely manufactured. The day is now near at hand when custom-house receipts must fail to meet the gold demand ; when the small amount that thus far has been boarded will be greatly needed ; and, when the value of the declarations now being made in regard to perfect maintenance of the public faith will be severely tested. What is the present tendency of affairs is shown in the fact that Pennsylvania sixes, payable principal and interest in lawful money, are preferred, at equal prices, to treasury obligations that are payable, principal and interest, in coin that now sells at 140 ; and that, without a total change of system, must at no distant date command a very much higher price.⁵

What the country now needs is restoration of that confidence of our people in each other, and of the whole body of the people in the honest management of their financial affairs, which so fully existed down to the date at which the present Secretary entered upon their management ; both of which have now so entirely disappeared. To that end it is indispensable that Congress resume the control that so fully existed before the war, dictating orders and not accepting them, as has recently been so much the case. Let that body tell the Secretary what to do and how to do it ; let it prohibit, under heavy penalties, such private arrangements as have been above described ; and there will be then reason for hoping that the day may yet come when a people who thirty years since paid off, at par, a debt bearing but three per cent. interest, may cease to be compelled to beg for money in all the markets of Europe, gladly paying for the use thereof *little less than thrice that rate.*

* The most efficient and persistent advocate of the Secretary's plans for raising the rates of interest is found in the New York *Tribune*, whose teachings of the day on which we write are as follows :—

“ The Secretary of the Treasury, if he has any surplus, should use it in paying off \$46,244,780 of compounds, and \$23,265,000 of three per cent. certificates—together \$69,509,780 ; and if he has no surplus, should sell six per cent. gold bonds enough to pay them as they mature. Congress and the Secretary should lose no time in undoing the financial blunder made during the rebellion. The first step should be the funding of every currency obligation with gold-bearing bonds, leaving nothing to be cared for next December but its ‘due-bills,’ called legal tender.”

** This is the amount that was on deposit on the last day of October, whereas the quantity in the treasury is for the first of November. This may, perhaps, account for the fact that the former appears to be somewhat in excess of the latter.

† These are estimates, there being no published account of later date than October 31st. The amount appears, throughout the year, to have varied between 22 and 25 millions.

4 “ The administration of the Treasury Department under Secretary M'Culloch reminds one of the rebuses which appear in certain ambitious periodicals, with the provoking note—‘ Solution in our next.’ It is a perpetual rebus which keeps us all guessing wildly day and night, until the appearance of the next monthly exhibit from the Department puts us out of our pain by furnishing the solution.

“ Everybody guessed the rebus for May. The blunder of the Department was so enormous that nobody needed to wait for the June statement to learn that thirty millions of gold had been thrown away at 15 @ 20 per cent. below the market, and that somebody had thereby realized a neat little profit of three or four millions.”—*Harper's Weekly*.

5 Seven-thirties convertible into gold six per cent. bonds sell at 107½, State bonds, payable in 1881, commanding 108½ to 109.